

# Community Renewal Tax Relief Act of 2000

## Fact Sheet

On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law, as enacted in the Omnibus Consolidation & Emergency Supplemental Appropriations Act for FY2001 [P.L.106-554]. The bill is a result of a bipartisan initiative spearheaded by Speaker Hastert and key Republican and Democratic Senators and Representatives. The bill authorizes the designation of 9 new Empowerment Zones and 40 Renewal Communities. This bill also provided additional FY 2001 funding for Round II urban Empowerment Zones (EZs), increasing a previously appropriated amount to a total of approximately \$185,000,000, or \$12.3 million for each EZ.

### Highlights:

#### Empowerment Zones:

- Extension of EZ designation for all Round 1 and II EZs through December 31, 2009.
- Designation of nine new EZs, seven in urban areas and two in rural areas. Designations are to be made by December 31, 2001 and will remain in effect through December 31, 2009. Businesses in the new empowerment zones are eligible for the same tax incentives that, under the bill, are available to existing zones.
- Empowerment Zones are eligible to receive the following benefits:
  1. extension of the EZ employment credit to all Empowerment Zones. This credit, formerly available only to Round I EZs, now gives all Empowerment Zone businesses an incentive to retain or hire individuals who both live and work in an EZ. Businesses can claim a credit of as much as \$3,000 per qualified EZ employee each year for wages paid or incurred after December 31, 2001.
  2. increased expensing (up to \$35,000 from \$20,000) under Section 179 of the Internal Revenue Code. This new expensing applies after December 31, 2001 to EZs and developable sites.
  3. higher limits on tax-exempt empowerment zone facility bonds
  4. non-recognition of gain on roll-over of EZ investments and increased exclusion of gain on the sale of EZ stock

#### Competition Timeline (2001):

**April** - Regulations published in Federal Register Notice

**May/June** - Workshops held for potential applicants for EZ & RC Competitions

**September/October** - Applications due to HUD

**December** - Designations announced

*\*\*Note- All dates are tentative*

## Renewal Communities:

- Designation of 40 Renewal Communities, 28 in urban areas and 12 in rural areas. With respect to the first 20 designations, a preference shall be given to those nominated areas which are EZs or ECs. However, the designation of any EZ or EC area will cease to be in effect as of the date that the designation of any portion of such area as a Renewal Community takes effect. The designations will be in effect from January 1, 2002 through December 31, 2009.
- Renewal Communities are eligible for the following benefits:
  1. zero-percent rate for capital gain from the sale of qualifying assets
  2. a 15 percent wage credit to employers for the first \$10,000 of qualified wages
  3. a “commercial revitalization deduction” that allows taxpayers to deduct either:
    - a) 50% of qualifying expenditures for the taxable year in which a qualified building is placed in service, or
    - b) all of the qualifying expenditures, allowable ratably over a 10-year period beginning with the month in which such building is placed in service
  4. \$35,000 of Section 179 expensing for qualified property,
  5. expansion of the Work Opportunity Tax Credit with respect to individuals who live in a Renewal Community

## Additional Tax Credit available to Distressed Communities:

{including Empowerment Zones & Renewal Communities}

- Improvements in Low-income Housing Credits, including the following:
  - ◆ modification of State ceilings on low-income housing credits
  - ◆ modification of criteria for allocating housing credits among projects
  - ◆ additional responsibilities of housing credit agencies, and
  - ◆ modifications to rules relating to the basis for determining eligibility of buildings for the credit
- Approval of a New Markets Tax Credit, including the following provisions:
  - ◆ tax credits for qualified equity investments made after December 31, 2000 to acquire stock in a community development entity (CDE)
  - ◆ tax credit limitation of \$1,000,000,000 for 2001, increasing to \$3,500,000,000 by 2006 and 2007